

GRAVITY DRAINAGE DISTRICT NO. 5  
OF WARD 4 OF CALCASIEU PARISH

A COMPONENT UNIT OF THE  
CALCASIEU PARISH POLICE JURY  
Sulphur, Louisiana

ANNUAL FINANCIAL STATEMENTS

As of and For the Year Ended December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish  
A Component Unit of the Calcasieu Parish Police Jury  
Sulphur, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's basic financial statements. The Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer-Louisiana Revised Statute 24:513A. (1) (a) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer-Louisiana Revised Statute 24:513A. (1) (a) is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer-Louisiana Revised Statute 24:513A. (1) (a) is fairly stated in all material respects in relation to the basic

financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting and compliance.



Gates & Company, LLC

Sulphur, Louisiana

June 1, 2015

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
STATEMENT OF NET POSITION  
December 31, 2014

ASSETS

Current Assets:

Cash	\$ 8,254,721
Receivables:	
Taxes	3,999,653
State revenue sharing	22,516
Interest	312
Prepaid assets	56,766
TOTAL CURRENT ASSETS	<u>12,333,968</u>

Noncurrent Assets:

Capital assets, net of accumulated depreciation	<u>9,556,732</u>
TOTAL ASSETS	<u>21,890,700</u>

LIABILITIES

Current Liabilities:

Accounts payable	27,685
Ad valorem pension payable	124,944
Salaries payable	8,183
Compensated absences	<u>8,290</u>
TOTAL LIABILITIES	<u>169,102</u>

Net Position:

Net investment in capital assets	9,556,732
Unrestricted	<u>12,164,866</u>
TOTAL NET POSITION	<u>\$ 21,721,598</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Function/Program	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION
		FEES, FINES, & CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Drainage work	\$ (2,473,270)	\$ 98,420	\$ -	\$ -	\$ (2,374,850)
TOTAL	<u>\$ (2,473,270)</u>	<u>\$ 98,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,374,850)</u>

General Revenues:

Ad Valorem Taxes	4,002,136
State Revenue Sharing	34,536
Interest	38,098

Special items:

Gain on disposal of assets	21,425
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TOTAL GENERAL REVENUES	<u>4,096,195</u>
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CHANGE IN NET POSITION	1,721,345
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NET POSITION- BEGINNING	<u>20,000,253</u>
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NET POSITION - ENDING	<u>\$ 21,721,598</u>
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The accompanying notes are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

## **MAJOR FUND DESCRIPTIONS**

### **GENERAL FUND**

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
ALL FUND TYPES  
BALANCE SHEET  
December 31, 2014

	GOVERNMENTAL FUNDS		
	General Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 8,201,804	\$ 52,917	\$ 8,254,721
Receivables:			
Taxes	3,999,653	-	3,999,653
State revenue sharing	22,516	-	22,516
Interest	312	-	312
Prepaid assets	56,766	-	56,766
TOTAL ASSETS	<u>\$ 12,281,051</u>	<u>\$ 52,917</u>	<u>\$ 12,333,968</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,685	\$ -	\$ 27,685
Ad valorem pension payable	124,944	-	124,944
Salaries payable	8,183	-	8,183
Compensated absences	8,290	-	8,290
TOTAL LIABILITIES	<u>169,102</u>	<u>-</u>	<u>169,102</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	88,093	-	88,093
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>88,093</u>	<u>-</u>	<u>88,093</u>
Fund Balances:			
Nonspendable - prepaids	56,766	-	56,766
Restricted - capital outlay	-	52,917	52,917
Committed - capital outlay	2,568,219	-	2,568,219
Unassigned	9,398,871	-	9,398,871
TOTAL FUND BALANCES	<u>12,023,856</u>	<u>52,917</u>	<u>12,076,773</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 12,281,051</u>	<u>\$ 52,917</u>	<u>\$ 12,333,968</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
December 31, 2014

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS AT DECEMBER 31, 2014	\$ 12,076,773
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Total net position reported for governmental activities in the Statement of Net  
Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets, net of accumulated depreciation	9,556,732
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Certain state revenue sharing receivable that will not be collected within 60 day of year end are not considered available in the governmental funds.	22,516
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Certain property tax revenue receivable that will not be collected within 60 days of year end are not considered available in the governmental funds.	<u>65,577</u>
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TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES AT DECEMBER 31, 2014	<u>\$ 21,721,598</u>
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The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2014

	General Fund	Capital Projects Fund	Total
REVENUES:			
Ad valorem taxes	\$ 4,001,639	\$ -	\$ 4,001,639
State revenue sharing	35,297	-	35,297
Interest	37,855	243	38,098
Miscellaneous	84,796	13,624	98,420
Sale of assets	29,889	-	29,889
TOTAL REVENUES	<u>4,189,476</u>	<u>13,867</u>	<u>4,203,343</u>
EXPENDITURES:			
Current:			
Advertising	399	-	399
Appraisal	300	-	300
Audit fees	8,650	-	8,650
Engineer fees	6,600	-	6,600
Equipment rental	180	-	180
Fuel & gas	102,161	-	102,161
Insurance	95,467	-	95,467
Insurance - group	240,772	-	240,772
Maintenance & repairs	72,992	-	72,992
Materials & supplies	49,410	-	49,410
Miscellaneous	4,413	-	4,413
Office supplies	2,689	-	2,689
Pension expense	124,944	-	124,944
Per diem	21,600	-	21,600
Retirement	162,768	-	162,768
Right of way agent fees	3,375	-	3,375
Salaries	980,882	-	980,882
Taxes	13,081	-	13,081
Tools & equipment	5,968	-	5,968
Travel	60	-	60
Uniforms	3,882	-	3,882
Utilities	13,037	-	13,037
Capital outlay	144,813	26,027	170,840
TOTAL EXPENDITURES	<u>2,058,443</u>	<u>26,027</u>	<u>2,084,470</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,131,033	(12,160)	2,118,873
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>2,106,033</u>	<u>12,840</u>	<u>2,118,873</u>
FUND BALANCE - BEGINNING	<u>9,917,823</u>	<u>40,077</u>	<u>9,957,900</u>
FUND BALANCE - ENDING	<u>\$ 12,023,856</u>	<u>\$ 52,917</u>	<u>\$ 12,076,773</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS INCREASE (DECREASE)	\$2,118,873
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Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense:

Capital outlay	\$ 170,840	
Depreciation expense	<u>(559,638)</u>	(388,798)

The book value of equipment sold recognized in the government-wide financial statements is not recorded in the governmental fund statements.	(8,464)
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Certain state revenue sharing receivable will not be collected until after 60 days into the current year and are not considered available in the governmental funds.	22,516
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Certain state revenue sharing receivables from the prior year were not collected until after 60 days into the current year. These amounts were not considered available in last year's governmental funds and have been included in the current year's revenue in governmental funds.	(23,279)
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Certain property tax revenues receivable will not be collected until after 60 days into the current year and are not considered available in the governmental funds.	65,577
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Certain property tax revenues from the prior year were not collected until after 60 days into the current year. These amounts were not considered available in last year's governmental funds and have been included in the current year's revenue in governmental funds.	<u>(65,080)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,721,345</u>
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The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**INTRODUCTION**

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 38:1751. The District is governed by a board of five compensated commissioners appointed by the Calcasieu Parish Police Jury and is authorized to construct, maintain and improve the system of gravity drainage within the District. The District has 16 employees in addition to the five board members.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Governmental Audit Guide.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, ability to impose a financial benefit/burden, fiscal dependency, and other general oversight responsibility.

Based on the foregoing criteria, Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish. The District is a component unit of the Calcasieu Parish Police Jury.

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish. For the most part, the effect of interfund activity has been removed from these statements.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**B. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District maintains two funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the District are described below:

**Governmental Funds-**

The General Fund is the entity's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue sharing, reimbursements, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Interfund transfers are made to meet current or anticipated needs of the District.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Cash and Interest-bearing Deposits**

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**E. Budgets and Budgetary Accounting**

A budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. In November of each year, the budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated. The budget was amended once during 2014.

F. Prepaid Items

The District records as prepaid assets, expenditures during the current period that will benefit the subsequent period.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., drainage structures, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District has established a \$5,000 capitalization threshold.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25 years
Buildings and building improvements	40 years
Furniture and fixtures	5-12 years
Vehicles	5 years
Equipment	10 years

H. Compensated Absences

The District allows employees to accumulate unlimited unused sick leave. Earned vacation time is expected to be used within one year of accrual with a maximum of one week carry forward to the next year, if not used. The liability for accrued sick leave could not be reasonably estimated.

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. Interfund Transfers

Transfers are made from the General Fund to the Capital Projects Fund to assist in the payment of normal operating expenditures.

K. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires an entity to delay recognition of decreases in net position/fund balance as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position/fund balance as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

L. Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance of the governmental funds are classified as follows:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and for property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Commissioners (the District's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority,
5. *Unassigned* fund balance category includes all other spendable amounts.

The District's policy is to apply expenditures against committed fund balances, assigned fund balances, and unassigned fund balances, in that order, unless the District has provided otherwise in its commitment or assignment actions.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

As of December 31, 2014, the District did not have any assigned fund balances.

**NOTE 2 - AD VALOREM TAXES**

For the year ended December 31, 2014 taxes of 4.55 mills were levied on property with assessed valuations totaling \$881,177,733 and were dedicated as follows:

General corporate purposes .....	4.55 mills
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Total taxes levied were \$4,009,377.

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 2 - AD VALOREM TAXES**

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

*Custodial Credit Risk-Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

*Interest Rate Risk.* The District does not have a formal deposit and investment policy that limits deposits and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk.* The District places no limitation on the amount the District may invest in any one issuer.

At December 31, 2014, the District has cash and cash equivalents (book balances) totaling \$8,254,721, as follows:

Demand deposits .....	\$	-
Interest-bearing demand deposits .....		6,249,681
Time deposits .....		2,005,000
Other .....		<u>40</u>
	Total	<u>\$ 8,254,721</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At December 31, 2014, the District has \$8,351,699 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$7,851,699 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE 4 - RECEIVABLES**

The following is a summary of receivables at December 31, 2014:

<u>Class of Receivable</u>	<u>Total</u>
Ad valorem taxes .....	\$ 3,999,653
Other .....	22,828
Total	<u>\$ 4,022,481</u>

Uncollectable amounts due for ad valorem taxes and other revenues are recognized as bad debts at the time information becomes available which would indicate uncollectibility of the receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible receivables was made due to immateriality at December 31, 2014.

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ending December 31, 2014.

	Not being depreciated			Drainage	
	Land	Buildings	Equipment	Infrastructure	Total
Current year roll forward:					
Cost at December 31, 2013	\$ 195,986	\$ 554,116	\$ 2,132,669	\$ 10,903,737	\$ 13,786,508
Additions	-	-	116,655	54,185	170,840
Deletions	-	-	(84,642)	-	(84,642)
Cost at December 31, 2014	<u>\$ 195,986</u>	<u>\$ 554,116</u>	<u>\$ 2,164,682</u>	<u>\$ 10,957,922</u>	<u>\$ 13,872,706</u>
Depreciation:					
Accumulated Depreciation					
December 31, 2013	\$ -	\$ (161,042)	\$ (1,398,328)	\$ (2,273,143)	\$ (3,832,513)
Additions	-	(12,468)	(139,541)	(407,629)	(559,638)
Deletions	-	-	76,177	-	76,177
Accumulated Depreciation					
December 31, 2014	<u>-</u>	<u>(173,510)</u>	<u>(1,461,692)</u>	<u>(2,680,772)</u>	<u>(4,315,974)</u>
Capital assets, net of accumulated depreciation at December 31, 2014	<u>\$ 195,986</u>	<u>\$ 380,606</u>	<u>\$ 702,990</u>	<u>\$ 8,277,150</u>	<u>\$ 9,556,732</u>

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO THE FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Depreciation expense of \$559,638 for the year ended December 31, 2014 was charged to the following governmental functions:

Drainage work	\$ <u>559,638</u>
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**NOTE 6 - RETIREMENT SYSTEM**

*Plan Description.* Substantially all employees of the District are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple - employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

The system provides retirement, disability and death benefits to plan members and beneficiaries. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 16.00 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A for the years ending December 31, 2014, 2013, and 2012 were \$162,768, \$169,295, and \$154,562 respectively, equal to the required contributions for each year.

**NOTE 7 - COMPENSATED ABSENCES**

At December 31, 2014, employees of the District have accumulated and vested \$8,290 of employee leave benefits. Of this amount, \$8,290 is recorded as an obligation of the General Fund.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO THE FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during 2014.

**NOTE 9 - COMMITMENTS**

At December 31, 2014 there were no major construction contracts in progress.

**NOTE 10 - COMPENSATION OF BOARD MEMBERS**

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. LA Rev. Statute 38:1794 authorizes the District to pay each board member \$100 for each meeting attended, up to 48 meetings per year.

<u>Name</u>	<u>Amount</u>
Curtis Alexander	\$ 4,800
Patrick Fitts	4,800
Damon Goss	2,400
James Perry	4,800
William Trahan	4,800
Total	<u>\$ 21,600</u>

**NOTE 11 – DEFERRED INFLOWS OF RESOURCES**

Unavailable revenues are reported in governmental funds and represent revenue received more than 60 days following year end (and, therefore, unavailable to pay liabilities of the current period). Unavailable revenue received after 60 days is fully recognized as revenue in the government-wide financial statements. At December 31, 2014, governmental funds' revenues that have been earned but are unavailable are \$88,093, as follows:

	<u>General Fund</u>
Ad Valorem Taxes	\$ 65,577
State Revenue Sharing	22,516
	<u>\$ 88,093</u>

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
NOTES TO THE FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE 12 - PENDING LITIGATION**

There are no lawsuits pending against the District at December 31, 2014.

**NOTE 13 - SUBSEQUENT EVENT REVIEW**

The District's management has evaluated subsequent events through June 1, 2015, the date which the financial statements were available to be issued.

**NOTE 14 – NEW ACCOUNTING PRONOUNCEMENT**

In June 2012, the GASB approved Statement No. 68, "Accounting and Financial Reporting for Pensions." GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by Statement No. 67. The provisions of GASB Statement No. 68 must be implemented by the District for the year ending December 31, 2015. In November 2013, the GASB approved Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68". The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The effect of implementation of these statements on the District's financial statements has not yet been determined.

## REQUIRED SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY

General Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 3,513,026	\$ 3,513,026	\$ 4,001,639	\$ 488,613
State revenue sharing	33,000	33,000	35,297	2,297
Interest on investments	21,000	21,000	37,855	16,855
Miscellaneous	2,000	2,000	84,796	82,796
Sale of assets	-	-	29,889	29,889
TOTAL REVENUES	3,569,026	3,569,026	4,189,476	620,450
EXPENDITURES:				
Current:				
Advertising	1,000	1,000	399	601
Appraisal	2,000	2,000	300	1,700
Audit fees	8,600	8,600	8,650	(50)
Engineer fees	6,600	6,600	6,600	-
Equipment rental	2,000	2,000	180	1,820
Fuel & gas	133,000	133,000	102,161	30,839
Insurance	106,700	106,700	95,467	11,233
Insurance - group	259,963	259,963	240,772	19,191
Maintenance & repairs	125,500	125,500	72,992	52,508
Materials & supplies	115,000	115,000	49,410	65,590
Miscellaneous	25,000	25,000	4,413	20,587
Pension expense	-	-	124,944	(124,944)
Office supplies	3,000	3,000	2,689	311
Per diem	24,000	24,000	21,600	2,400
Retirement	168,588	168,588	162,768	5,820
Right of way agent fees	4,200	4,200	3,375	825
Salaries	1,053,675	1,053,675	980,882	72,793
Taxes	15,000	15,000	13,081	1,919
Tools & equipment	6,000	6,000	5,968	32
Travel	1,000	1,000	60	940
Uniforms	3,000	3,000	3,882	(882)
Utilities	15,000	15,000	13,037	1,963
Capital outlay	3,000,000	3,000,000	144,813	2,855,187
TOTAL EXPENDITURES	5,078,826	5,078,826	2,058,443	3,020,383
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,509,800)	(1,509,800)	2,131,033	3,640,833
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(25,000)	(25,000)	(25,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,534,800)	(1,534,800)	2,106,033	3,640,833
FUND BALANCE - BEGINNING	9,917,823	9,917,823	9,917,823	-
FUND BALANCE - ENDING	\$ 8,383,023	\$ 8,383,023	\$ 12,023,856	\$ 3,640,833

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY

Capital Projects Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Interest	\$ 50	\$ 50	\$ 243	\$ 193
Miscellaneous	25,000	12,300	13,624	1,324
TOTAL REVENUES	<u>25,050</u>	<u>12,350</u>	<u>13,867</u>	<u>1,517</u>
EXPENDITURES:				
Capital outlay	50,000	50,000	26,027	23,973
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>26,027</u>	<u>23,973</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,950)	(37,650)	(12,160)	25,490
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	25,000	25,000	25,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	50	(12,650)	12,840	25,490
FUND BALANCE - BEGINNING	40,077	40,077	40,077	-
FUND BALANCE - ENDING	<u>\$ 40,127</u>	<u>\$ 27,427</u>	<u>\$ 52,917</u>	<u>\$ 25,490</u>

Notes to the Schedules:

The budgets are adopted on a basis consistent with generally accepted accounting principles.  
The Capital Projects Fund was amended one time in 2014.

Capital Projects Fund: The amendment to the original budget consisted of decreasing Miscellaneous revenues by \$12,700.

The accompanying notes are an integral part of this statement.

## OTHER SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A Component Unit of the Calcasieu Parish Police Jury

Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head,  
Political Subdivision Head, or Chief Executive Officer- Louisiana Revised Statute 24:513 A. (1) (a)  
For the Year Ended December 31, 2014

**Agency Head Name:** Patrick Fitts

<b>Purpose</b>	<b>Amount</b>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	4,800
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

The accompanying notes are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT SECTION



**GATES & COMPANY, LLC**  
—Certified Public Accountants—

TIMOTHY R. GATES, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish  
A Component Unit of the Calcasieu Parish Police Jury  
Sulphur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's basic financial statements and have issued our report thereon dated June 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those

charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See 2014-1 and 2014-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's Response to Findings**

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Gates & Company, LLC

Sulphur, Louisiana

June 1, 2015

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended December 31, 2014

**2014-1 Segregation of Duties**

Condition:	Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements and reconciling the bank statements. We do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the District. We recommend that the commissioners take an active interest in the review of all of the financial information. This was also a prior year finding.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.
Response:	We concur with this recommendation. Commissioners have implemented supervision and review procedures to the extent possible.

**2014-2 Controls Over Financial Reporting**

Condition:	In our judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles.
Criteria:	The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.
Effect:	Misstatements in financial statements could go undetected.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended December 31, 2014

Recommendation: In our judgment, due to the lack of resources available to management to correct this significant deficiency in financial reporting, we recommend management mitigate this significant deficiency by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Commissioners have implemented supervision and review procedures to the extent possible.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH  
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2014

**2013-1 Segregation of Duties**

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.

**2013-2 Controls Over Financial Reporting**

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.